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GOLDEN FAITH GROUP HOLDINGS LIMITED

高豐集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2863)

ANNOUNCEMENT OF ANNUAL AUDITED RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

The board (the “**Board**”) of directors (the “**Directors**”) of Golden Faith Group Holdings Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 30 September 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2019

	<i>NOTES</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue	3	378,464	375,023
Costs of sales		(317,431)	(321,993)
Gross profit		61,033	53,030
Other income	4	2,669	514
Other gains and losses	4	268	(509)
Impairment losses on trade receivables and contract assets		(4,491)	–
Administrative expenses		(31,994)	(20,161)
Finance cost	5	(3)	(2)
Profit before taxation	6	27,482	32,872
Income tax expense	7	(5,576)	(5,747)
Profit and total comprehensive income for the year		21,906	27,125
Profit (loss) and total comprehensive income (expense) for the year attributable to:			
Owners of the Company		21,908	27,125
Non-controlling interests		(2)	–
		21,906	27,125
Earnings per share			
Basic (<i>HK\$</i>)	9	0.04	0.05
Diluted (<i>HK\$</i>)	9	0.04	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

	NOTES	2019 HK\$'000	2018 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		3,029	2,804
Deferred tax assets		307	108
Deposits	11	328	207
		<u>3,664</u>	<u>3,119</u>
Current assets			
Trade receivables	10	33,400	46,804
Other receivables, deposits and prepayments	11	8,064	2,483
Contract assets	12	87,630	–
Amounts due from customers for contract work	13	–	66,002
Pledged bank deposits		5,000	20,049
Short term bank deposits		7,080	50,058
Bank balances and cash		140,768	46,227
		<u>281,942</u>	<u>231,623</u>
Current liabilities			
Trade payables	14	38,000	10,015
Other payables and accrued charges	15	22,239	23,068
Contract liabilities	12	4,478	–
Amounts due to customers for contract work	13	–	6,888
Bank borrowing	16	4,562	–
Tax liabilities		3,770	7,441
		<u>73,049</u>	<u>47,412</u>
Net current assets		<u>208,893</u>	<u>184,211</u>
Total assets less current liabilities		<u>212,557</u>	<u>187,330</u>
Non-current liability			
Provisions		616	848
Net assets		<u>211,941</u>	<u>186,482</u>
CAPITAL AND RESERVES			
Share capital	17	5,436	5,400
Reserves		206,487	181,082
Equity attributable to owners of the Company		211,923	186,482
Non-controlling interests		18	–
Total equity		<u>211,941</u>	<u>186,482</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

Golden Faith Group Holdings Limited (the “**Company**”) is incorporated and registered as an exempted company in the Cayman Islands on 12 October 2016 and its shares were listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 11 August 2017. The address of the registered office and principal place of business are stated in the “Corporate Information” section of the annual report. Pursuant to the transfer of shares between Superior Ace Investment Limited (“**Superior Ace**”) and Greatly Success Investment Trading Limited (“**Greatly Success**”) on 21 October 2018, the immediate and ultimate holding company of the Company has changed from Superior Ace, which is incorporated in the BVI, to Greatly Success, which is incorporated in the Republic of Seychelles.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments and an interpretation to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 “Financial Instruments” with HKFRS 4 “Insurance Contracts”
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments and an interpretation to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 15 “Revenue from Contracts with Customers”

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 October 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 October 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 “Revenue” and HKAS 11 “Construction Contracts” and the related interpretations.

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 October 2018. Line items that were not affected by the changes have not been included.

		Carrying amounts previously reported at 30 September 2018	Reclassification	Carrying amounts under HKFRS 15 at 1 October 2018*
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets				
Contract assets	(a)	–	66,002	66,002
Amounts due from customers for contract work	(a)	66,002*	(66,002)	–
Current liabilities				
Contract liabilities	(a)	–	6,888	6,888
Amounts due to customers for contract work	(a)	6,888	(6,888)	–

* The amounts in this column are before the adjustments from the application of HKFRS 9.

(a) Upon the application of HKFRS 15 on 1 October 2018, amounts due from customers for contract work of HK\$66,002,000 were reclassified to contract assets, whilst amounts due to customers for contract work of HK\$6,888,000 were reclassified to contract liabilities.

The directors of the Company assessed that the application of HKFRS 15 have no material impact on the retained profits at 1 October 2018 and on the timing and amounts of revenue recognised.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 30 September 2019 and consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

		As reported	Reclassification	Amounts without application of HKFRS 15
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets				
Contract assets	(a)	87,630	(87,630)	–
Amounts due from customers for contract work	(a)	–	87,630	87,630
Current liabilities				
Contract liabilities	(a)	4,478	(4,478)	–
Amounts due to customers for contract work	(a)	–	4,478	4,478

Impact on the consolidated statement of cash flows

	<i>Note</i>	As reported <i>HK\$'000</i>	Reclassification* <i>HK\$'000</i>	Amounts without application of HKFRS 15 <i>HK\$'000</i>
Operating activities				
Increase in contract assets	(a)	(26,901)	26,901	–
Changes in amounts due from/to customers for contract work, net	(a)	–	(29,311)	(29,311)
Decrease in contract liabilities	(a)	(2,410)	2,410	–

* The amounts in this column exclude the corresponding effect from the application of HKFRS 9 as at 30 September 2019.

(a) Without application of HKFRS 15, the contract assets under HKFRS 15 will be reclassified as amounts due from customers for contract work under HKAS 18 and the contract liabilities under HKFRS 15 will be reclassified as amounts due to customers for contract work under HKAS 18, respectively.

2.2 **HKFRS 9 “Financial Instruments”**

In the current year, the Group has applied HKFRS 9 “Financial Instruments” and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities; (2) expected credit losses (“ECL”) for financial assets and contract assets; and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 October 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 October 2018. The difference between carrying amounts as at 30 September 2018 and the carrying amounts as at 1 October 2018 are recognised in the opening retained profits without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 “Financial Instruments: Recognition and Measurement”.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and contract assets subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 October 2018.

	Amounts due from customers for contract work	Contract assets	Trade receivables	Deferred tax assets	Retained profits
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Closing balance at 30 September 2018 – HKAS 39	66,002	–	46,804	108	83,899
Effect arising from initial application of HKFRS 15	(66,002)	66,002	–	–	–
Effect arising from initial application of HKFRS 9 – impairment under ECL model	(a) –	(618)	(223)	138	(703)
Opening balance at 1 October 2018	<u>–</u>	<u>65,384</u>	<u>46,581</u>	<u>246</u>	<u>83,196</u>

(a) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. Contract assets and trade receivables have been assessed individually.

Loss allowances for other financial assets at amortised cost including other receivables and deposits, pledged bank deposits, short term bank deposits and bank balances are measured on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 October 2018, the additional allowance for credit losses of HK\$841,000 has been recognised against retained profits. The additional allowance for credit losses is charged against the respective asset. Deferred tax assets also increased by HK\$138,000 as a result of the additional allowance for credit losses charged.

All allowance for credit losses on financial assets including trade receivables and contract assets as at 30 September 2018 reconcile to the opening allowance for credit losses as at 1 October 2018 is as follows:

	Contract assets	Trade receivables
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 30 September 2018 – HKAS 39	–	–
Amounts remeasured through opening retained profits	<u>618</u>	<u>223</u>
At 1 October 2018	<u><u>618</u></u>	<u><u>223</u></u>

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards, amendments and interpretation

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	30 September 2018 <i>HK\$'000</i> (audited)	HKFRS 15 <i>HK\$'000</i>	HKFRS 9 <i>HK\$'000</i>	1 October 2018 <i>HK\$'000</i> (restated)
Non-current assets				
Deferred tax assets	108	–	138	246
Current assets				
Trade receivables	46,804	–	(223)	46,581
Amounts due from customers for contract work	66,002	(66,002)	–	–
Contract assets	–	66,002	(618)	65,384
Current liabilities				
Amounts due to customers for contract work	6,888	(6,888)	–	–
Contract liabilities	–	6,888	–	6,888
Capital and reserves				
Reserves	181,082	–	(703)	180,379

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 30 September 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 October 2018 as disclosed above.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments and an interpretation to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ²
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁵
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019.

² Effective for annual periods beginning on or after 1 January 2021.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

⁵ Effective for annual periods beginning on or after 1 January 2020.

3. REVENUE AND SEGMENT INFORMATION

Revenue

A. For the year ended 30 September 2019

Disaggregation of revenue

	<i>HK\$'000</i>
Types of goods or services	
– Electric and maintenance engineering services in Hong Kong	376,642
– Sales of electrical products in the People's Republic of China (“PRC”)	1,822
	<u>378,464</u>
Timing of revenue recognition	
– A point in time	1,822
– Over time	376,642
	<u>378,464</u>

B. For the year ended 30 September 2018

	<i>HK\$'000</i>
Electric and maintenance engineering services	<u>375,023</u>

Segment information

Information reported to the executive directors of the Group, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

During the year ended 30 September 2019, the directors of the Company considered that sales of electrical products, being started in current year, may become a substantial operating activity to the Group in future. Therefore, the sales of electrical products is reported as a new reportable and operating segment for the current year.

The Group's reportable and operating segments during the year ended 30 September 2019 are therefore as follows:

- (i) Electric and maintenance engineering services; and
- (ii) Sales of electrical products.

The following is an analysis of the Group's revenue and results by operating and reportable segments during the year ended 30 September 2019:

	Electric and maintenance engineering services <i>HK\$'000</i>	Sales of electrical products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue			
Segment revenue	376,642	1,822	378,464
Segment results	36,717	30	36,747
Interest income			1,229
Administrative expenses			(10,494)
Profit before taxation			<u>27,482</u>

All of the segment revenue reported above is from external customers.

During the year ended 30 September 2018, the Group's operations was solely derived from electric and maintenance engineering services in Hong Kong. Therefore, the Group presented only one single operating segment and no further analysis was presented.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies during the year ended 30 September 2019 and 2018. Segment profit represents the profit earned by each segment excluding interest income, certain administrative expenses and income tax expense. This is the measure reported to the Group's management for the purpose of resource allocation and performance assessment.

No analysis of segment asset and segment liability as at 30 September 2019 and 2018 is presented as the chief operating decision maker does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented during the year ended 30 September 2019.

Geographical information

Geographical information on the Group's revenue are disclosed under the sub-heading of "Revenue" in this note. The Group's property, plant and equipment amounting to HK\$3,029,000 (2018: HK\$2,804,000) and deposits of HK\$328,000 (2018: HK\$207,000) as at 30 September 2019 are all located in Hong Kong by geographical location of assets.

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the year is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Customer A	106,840	200,476
Customer B	51,934	151,683
Customer C	206,735	–

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Other income:		
Interest income	1,229	400
Sales of scrap materials	–	44
Others	1,440	70
	<u>2,669</u>	<u>514</u>
Other gains and losses:		
Impairment loss recognised on trade receivables	–	(20)
Impairment loss recognised on other receivables	–	(450)
Recovery of written off on other receivables	300	–
Loss on disposal of property, plant and equipment	(8)	(6)
Net exchange losses	(24)	(33)
	<u>268</u>	<u>(509)</u>

5. FINANCE COST

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest on a finance lease	–	2
Interest on bank borrowing	3	–
	<u>3</u>	<u>2</u>

6. PROFIT BEFORE TAXATION

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Staff costs:		
Directors' remuneration	9,162	2,483
Other staff costs	40,067	35,872
Contributions to retirement benefits schemes for other staff	1,218	1,078
	<u>50,447</u>	<u>39,433</u>
Auditor's remuneration	1,200	1,100
Depreciation of property, plant and equipment	628	551
Minimum lease payments in respect of office premises	2,665	2,033

7. INCOME TAX EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong Profits Tax:		
– Current year	5,292	5,679
– Underprovision in prior years	343	97
	<u>5,635</u>	<u>5,776</u>
PRC Enterprise Income Tax:		
– Current year	2	–
Deferred taxation credit for the year	(61)	(29)
	<u>5,576</u>	<u>5,747</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2018 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

Accordingly, starting from the year ended 30 September 2018, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million. The profit of group entities not qualified for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiary is 25%.

8. DIVIDEND

The directors of the Company do not recommend the payment of a final dividend for the year ended 30 September 2019 (2018: Nil).

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

Earnings

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the year attributable to owners of the Company)	<u>21,908</u>	<u>27,125</u>

Number of shares

	2019 <i>'000</i>	2018 <i>'000</i>
Number of ordinary shares for the purpose of calculating basic earnings for share	541,448	540,000
Effect of dilutive potential ordinary shares – share options	<u>54</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>541,502</u>	<u>N/A</u>

No diluted earnings per share of 2018 was presented as there were no potential ordinary shares in issue for 2018.

10. TRADE RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Gross trade receivables	33,459	46,804
Less: allowance for credit losses	(59)	–
	<hr/>	<hr/>
Total	33,400	46,804
	<hr/> <hr/>	<hr/> <hr/>

The Group grants credit terms of 0 to 30 days to its customers from the date of invoices on progress payments of engineering service works and 90 days to its customer from the date of invoices on sales of electrical products. An ageing analysis of the trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of the reporting period, is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 – 30 days	31,809	15,741
31 – 60 days	306	17,351
61 – 90 days	1,285	–
91 – 180 days	–	13,712
	<hr/>	<hr/>
	33,400	46,804
	<hr/> <hr/>	<hr/> <hr/>

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Rental and other deposits	588	402
Deposits for trading products/materials purchase	6,563	1,520
Prepayments and others	1,241	768
	<hr/>	<hr/>
Total	8,392	2,690
	<hr/> <hr/>	<hr/> <hr/>
Presented as non-current assets	328	207
Presented as current assets	8,064	2,483
	<hr/>	<hr/>
Total	8,392	2,690
	<hr/> <hr/>	<hr/> <hr/>

12. CONTRACT ASSETS AND CONTRACT LIABILITIES

	As at	
	30 September	1 October
	2019	2018*
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract assets		
– Engineering service contracts	92,903	66,002
Less: allowance for credit losses	<u>(5,273)</u>	<u>(618)</u>
	<u>87,630</u>	<u>65,384</u>
Contract liabilities		
– Engineering service contracts	<u>4,478</u>	<u>6,888</u>

* The amounts in this column are after the adjustments from the application of HKFRS 9 and 15.

Upon the application of HKFRS 9 since 1 October 2018, the Group applies the simplified approach to provide the ECL prescribed by HKFRS 9. Allowance of credit losses on contract assets amounting to HK\$4,655,000 was recognised during the year ended 30 September 2019.

Included in the contract assets are unbilled retention receivables which are expected to settle, based on the expiry of the defect liability period, at the end of the reporting period as follows:

	2019
	<i>HK\$'000</i>
Within one year	20,588
After one year	<u>24,478</u>
Total	<u>45,066</u>

The Group classified certain of contract assets, which are expected to be recovered more than 12 months, as current because the Group expects to realise them in its normal operating cycle.

13. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

2018
HK\$'000

Contracts in progress at the end of the reporting period:

Contract costs incurred plus recognised profits less recognised losses	1,368,406
Less: Progress billings	<u>(1,309,292)</u>

Total	<u><u>59,114</u></u>
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Analysed as:

Amounts due from customers for contract work	66,002
Amounts due to customers for contract work	<u>(6,888)</u>

	<u><u>59,114</u></u>
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Unbilled retention receivables of HK\$42,501,000 are included in the above contracts in progress as at 30 September 2018. Retention monies withheld by customers of contract works are unsecured, interest-free and recoverable after the completion of defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 1 to 2 years from the date of completion of respective engineering service projects.

The unbilled retention receivables are expected to settle, based on the expiring of the defect liability period, at the end of the reporting period as follows:

2018
HK\$'000

Within one year	13,710
After one year	<u>28,791</u>

Total	<u><u>42,501</u></u>
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Upon application of HKFRS 15 on 1 October 2018, the amounts due from/to customers for contract works were reclassified to contract assets/liabilities.

14. TRADE PAYABLES

The credit period on purchases and subcontracting of contract work services is 30 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 – 30 days	30,705	7,205
31 – 60 days	7,273	2,810
61 – 90 days	2	–
Over 90 days	<u>20</u>	<u>–</u>
	<u><u>38,000</u></u>	<u><u>10,015</u></u>

15. OTHER PAYABLES AND ACCRUED CHARGES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Accrued charges for engineering service contracts	959	989
Retention payables (<i>note i</i>)	1,446	1,725
Accrued payroll and bonus (<i>note ii</i>)	18,378	18,605
Other accrued charges	1,456	1,749
	<u>22,239</u>	<u>23,068</u>

Notes:

- (i) Retention payables to subcontractors of contract works are unsecured, interest-free and recoverable after the completion of defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 1 to 2 years from the date of completion of respective engineering service projects.
- (ii) Balance included the accrued payroll for contracting works.

16. BANK BORROWING

At 30 September 2019, Renminbi (“RMB”) 4,150,000 (equivalent to HK\$4,562,000) of bank borrowing is secured, repayable within one year and carries interest at benchmark interest rate as stipulated by the People’s Bank of China plus 0.585% per annum.

17. SHARE CAPITAL

Details of the share capital of the Company are disclosed as follows:

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 October 2017, 30 September 2018 and 2019	10,000,000,000	100,000
Issued and fully paid:		
At 1 October 2017 and 30 September 2018	540,000,000	5,400
Issue of shares upon exercise of share options (<i>note</i>)	3,621,000	36
At 30 September 2019	<u>543,621,000</u>	<u>5,436</u>

Note: During the year ended 30 September 2019, a total of 3,621,000 new ordinary shares of HK\$0.01 each were issued upon exercises of the share options of the Company. The new shares rank *pari passu* with the existing shares in all respects.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 30 September 2019 (“**FY2019**”), the Group worked on two business segments including electric and maintenance (E&M) engineering service business and trading business. The Group continued to engage in providing large scale E&M engineering services in major construction projects both in the private and public sector in Hong Kong. Our project portfolio has encompassed hospitals, government office complex and departmental headquarter and museum in Kowloon West. We have focused on three major projects during the year which has contributed approximately HK\$364.4 million, accounted for 96.7% of total revenue of E&M engineering service business for FY2019. The Group started a new trading business which was engaged in the sale of electrical products in the PRC. During FY2019, revenue from the trading business amounted to approximately HK\$1.8 million.

FINANCIAL REVIEW

Results Analysis

The Group’s revenue in FY2019 was approximately HK\$378.5 million, representing an increase of approximately HK\$3.4 million or 0.9% as compared to that in the year ended 30 September 2018 (“**FY2018**”).

The Group’s gross profit for the FY2019 increased by approximately HK\$8.0 million which was mainly due to the increase of average gross profit ratio on E&M engineering service business from approximately 14.1% to approximately 16.1% due to effective cost control on project. Gross profit contributed from trading business of approximately HK\$0.03 million.

Other income

The Group recorded other income of approximately HK\$2.7 million, representing an increase of approximately HK\$2.2 million as compared to that in FY2018. The increase was due to an equipment installation service income of approximately HK\$1.4 million and an increase in interest income of approximately HK\$0.8 million.

Other gains and losses

The Group recorded other gains of approximately HK\$0.3 million, representing an increase of approximately HK\$0.8 million as compared to that in FY2018, which was mainly due to a recovery of written off on other receivables in previous year. In FY 2018, the Group recorded impairment losses on receivables of approximately HK\$0.5 million.

Impairment losses on trade receivables and contract assets

The Group provided an amount of approximately HK\$4.5 million on impairment losses on trade receivables and contract assets (2018: Nil).

Administrative expenses

In FY2019, administrative expenses increased by approximately HK\$11.8 million as compared to that in FY2018, which was mainly the aggregate effect of increase in: share based payment of approximately HK\$2.4 million, director remuneration of approximately HK\$6.7 million and staff discretionary bonus of approximately HK\$3.2 million.

Profit and total comprehensive income

The decrease in profit and total comprehensive income of approximately HK\$5.2 million was mainly arose from the net effect of an increase in administrative expenses of HK\$11.8 million, an increase in impairment losses on trade receivable and contract assets of approximately HK\$4.5 million, an increase in gross profit of approximately HK\$8.0 million, an increase in other income of HK\$2.2 million, and an increase in other gains and losses of approximately HK\$0.8 million.

FINANCIAL RESOURCES REVIEW

Liquidity, Financial Position and Capital Structure

As at 30 September 2019, the Group has bank and cash balances, pledged bank deposits and short term bank deposits of approximately HK\$152.8 million (2018: HK\$116.3 million).

As at 30 September 2019, there was a bank borrowing of approximately HK\$4.6 million (2018: Nil).

The gearing ratio, defined as the ratio of total borrowings less bank and cash balances to equity attributable to owners of the Company was a net cash position (2018: net cash position).

Foreign Exchange Risk Management

The Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars. The Group is not significantly exposed to foreign currency risk arising from monetary assets and liabilities that are denominated in currencies other than the functional currencies of the respective group entities.

The Group currently does not have a foreign currency hedging policy as the foreign currency risk is considered to be insignificant. However, the management will continue to closely monitor the Group's foreign exchange risk exposure and will consider hedging significant foreign exchange exposure when necessary.

Charges on Assets

As at 30 September 2019, leasehold land and buildings with carrying amounts of approximately HK\$2.0 million (2018: HK\$2.1 million) has been pledged to secure a banking facility granted to the Group and pledged bank deposits with HK\$5.0 million has been pledged to secure a bank borrowing granted to the Group.

PROSPECTS AND OUTLOOK

On 21 October 2018, a joint announcement has been released in relation to the disposal of shares of the Company and a General Offer (the “**Offer**”) to the public. Following the close of the Offer, the Offeror, Greatly Success Investment Limited, intends to continue the existing principal business of the Group and will conduct a detailed review of the business operations and financial position of the Group for the purposes of developing a sustainable business development strategy for the Group. Subject to the results of this review, and should any appropriate investment or business opportunities arise in the future which may be beneficial to the Group’s development of its principal business, the Offeror may seek to expand the geographical coverage of the principal business of the Group in addition to the market of Hong Kong, and refine the business of the Group with a view to increasing its sources of income (such as integrating the Group’s business in the fields of electrical and mechanical engineering and construction), as well as enhancing returns for the Shareholders as a whole. For the avoidance of doubt, however, the Offeror had not entered into any agreement, arrangements, understandings, intention or negotiation regarding any potential investment or business opportunities, nor with respect to any change in the business of the Group up to the date of this announcement.

There is still no end in sight for the civil unrest in Hong Kong. The Group will look for diversification of business so as to minimise business risk. The Group has set up a wholly owned foreign enterprise (“**WOFE**”) in Guangxi Nanning PRC in July 2019 to carry out a new trading business. The WOFE could trade a wide range of products which include electronic and electrical equipment, computer software, hardware and accessories and communication equipment. Sales are in the form of indent. The suppliers and customers are mainly large state-owned enterprises or its related companies. To cope with the trend of changing computer hardware and software in PRC and being traded with the large stated-owned enterprises, the Group hopes that such new business may gradually contribute revenue and profits to the Group in future and to enhance shareholders value.

HUMAN RESOURCES

As at 30 September 2019, the Group had a total of 297 employees (2018: 481 employees). The Group believes its success and long-term growth depend primarily on the quality, performance and commitment of its employees. To ensure that the Group attracts and retains competent staff, remuneration packages are reviewed on a regular basis. Discretionary bonuses and share options are offered to qualified employees based on individual and the Group’s performance.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The principal activities of the Group are provision of electrical and extra-low voltage system works in Hong Kong and trading of electrical products in the PRC. The major resources deployed are purchase of material and labour which do not give rise to any material adverse influence to the environment. The Group will take appropriate measures and action as and when necessary to deal with or otherwise minimize any possible emission of hazardous materials which may arise from its business activities.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the FY2019.

CORPORATE GOVERNANCE

The Company has, throughout the FY2019, applied the principles and complied with the requirements of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") except for the following deviations.

Code Provision A.1.3

Code provision A.1.3 of the CG Code requires that notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. During the year, certain regular Board meetings were convened with less than 14 days' notice in order to enable the Board members to react timely and carry out expeditious decision making in respect of certain business matters which were significant to the Group's business. As a result, the aforesaid regular Board meetings were held with a shorter notice period than required with the consent of the Directors. The Board will do its best endeavor to meet the requirement of code provision A.1.3 of the CG Code in the future.

Code Provision A.2.1

Code provision A.2.1 of the CG Code requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Although the Company does not officially have a position of chief executive, the executive Director has effectively performed the role of chief executive leading the Board to work effectively. All important issues are discussed in the regular monthly Board meeting. The day-to-day management of the Group's business is handled by the executive Directors. The Board believes that the present arrangement is adequate to ensure an effective management and control of the Group's business operations. The Board will continue to review the effectiveness of the Group's structure as business continues to grow in order to assess whether any changes, including the appointment of a chief executive, are necessary.

Code Provision A.1.8

Code provision A.1.8 requires that there should be appropriate insurance cover in respect of legal action against its directors. The Company has not made appropriate insurance cover as it is in the Director's opinion that the possibility of legal action against the Directors is remote.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transaction by Directors. The Company, having made specific enquiry, confirms that all Directors have fully complied with the Model Code throughout the FY2019.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group’s consolidated financial statements for the FY2019, including the accounting principles and practices adopted by the Group.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Listing, after deducting listing related expenses and underwriting fees, were approximately HK\$56.7 million. After the Listing, the proceeds has been applied for the purposes in accordance with the “Future Plans and Use of Proceeds” as set out in the Prospectus.

An analysis of the intended application of net proceeds as stated in the Prospectus and the actual use of net proceeds up to 30 September 2019 are set out below:

	Application of net proceeds <i>HK\$’000</i>	Actual use of net proceeds <i>HK\$’000</i>	Unused net proceeds <i>HK\$’000</i>
Provision of performance guarantee	42,751	19,060	23,691
Recruitment	10,450	7,895	2,555
Induction, tool box training and specific safety training	215	215	–
Computer training	108	108	–
Upgrading the computer system and software	1,588	645	943
Upgrading the quality management system obtained under ISO9001	<u>1,588</u>	<u>768</u>	<u>820</u>

As at 30 September 2019, the Group held unutilised net proceeds in licensed banks in Hong Kong.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 30 September 2019 and up to the date of this annual report.

DIVIDEND

The Board does not recommend the payment of a final dividend for FY2019 (FY2018: Nil).

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlements of shareholders of the Company to attend and vote at the AGM to be held on Tuesday, 5 May 2020, the register of members of the Company will be closed from Monday, 27 April 2020 to Tuesday, 5 May 2020, both days inclusive, during which period no transfer of the shares will be registered. Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Friday, 24 April 2020.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the FY2019 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the website of the Company at www.goldenfaith.hk. The annual report of the Company for the FY2019 will be dispatched to the shareholders of the Company and will be published on the same websites in due course.

By Order of the Board
Golden Faith Group Holdings Limited
Ko Chun Hay Kelvin
Executive Director

Hong Kong, 18 December 2019

As at the date of this announcement the executive Directors are Mr. Ko Chun Kay Kelvin and Mr. Li Kar Fai, Peter; the non-executive Directors are Mr. Yung On Wah and Ms. Wong Cheuk Wai Helena and the independent non-executive Directors are Mr. Chan Cho Chak, Mr. Chan Wing Fai, and Mr. Yeung Wai Lung.